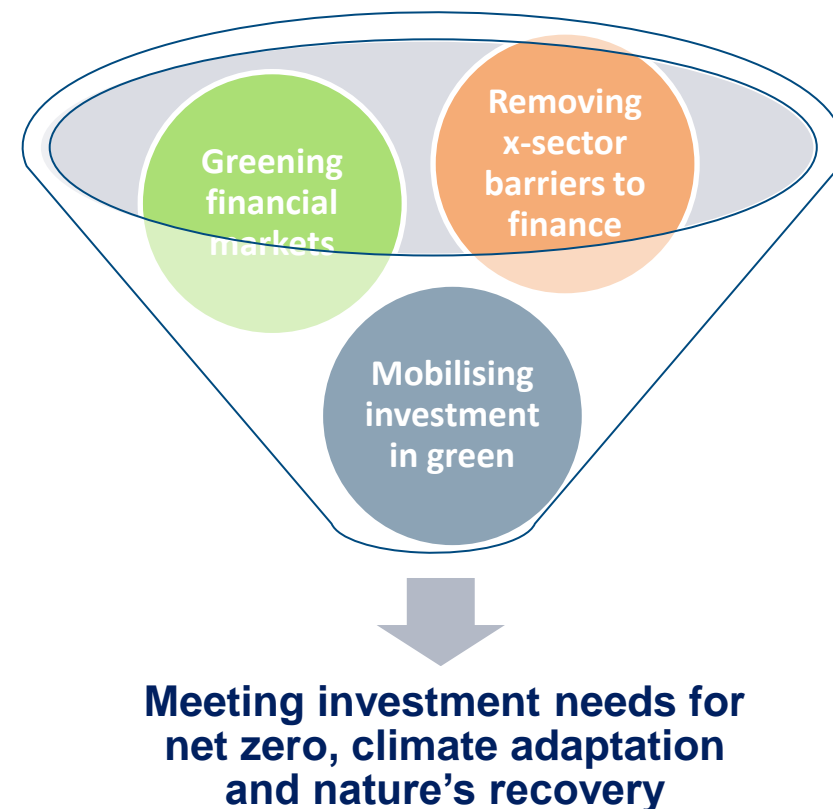

Mobilising Green Investment: 2023 Green Finance Strategy

Olivia Johnson, Head of Private Investment into
Net Zero

Department for Energy Security and Net Zero
May 2023

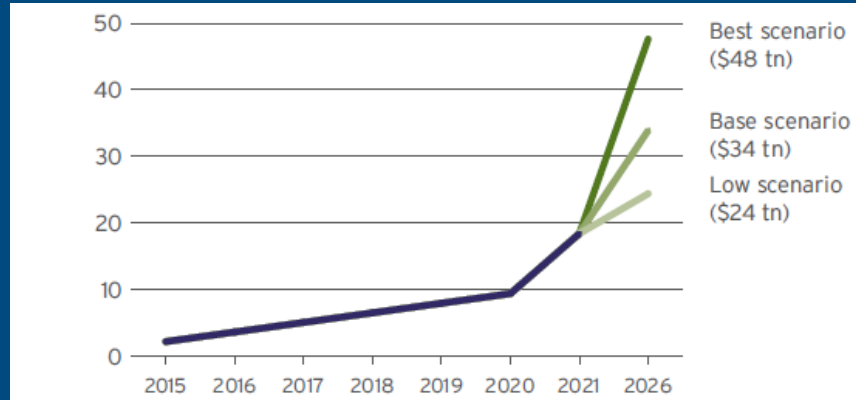
Why is green finance critical for our delivery of net zero and environmental goals?

- To deliver on the UK's net zero ambitions, through the late 2020s and 2030s, an **additional £50-60 billion of capital investment** will be required **each year**.
- Estimates suggest that over **the next ten years**, our domestic **nature-related goals** could require between **£44-97 billion** of investment
- For the UK to **adapt to the physical effects of climate change**, indicative estimates from the Climate Change Committee suggest that additional investment of **around £5 billion per year** this decade will be needed.
- Globally, additional annual investment needs are in the trillions.



Trends in green finance and investment

Global increase in green finance activity (Graph 1): Global ESG assets under management set to grow to \$34 trillion by 2026



Increased competition for investment (Graph 2): low carbon investment as a % of GDP between 2010-2022 across major economies



Green investment is growing...

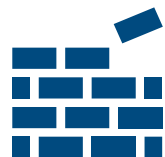
- Since 2010, the **UK has seen £198 billion of investment into low carbon energy**, through a mixture of government funding, private investment and levies on consumer bills.
- We are seeing a step-change in the UK, with annual investment in low carbon sectors **more than doubling in real terms over the past five years**.
- Across **2021 and 2022 alone, over £50 billion of new investments** were delivered in low carbon sectors in the UK.

Mobilising Green Investment: 2023 Green Finance Strategy



- Published on 30 March 2023, alongside Powering Up Britain, the 2023 Green Finance Strategy will **strengthen the UK's position as leading green finance centre globally** and **unlock the financing needed** to drive progress towards our energy security, net zero and environmental goals.
- The Strategy sets out a framework for the UK to become the **world's first Net Zero Aligned Financial Centre** – equipping the market with the information and tools necessary to meet this goal.
- It also sets out how **government and public finance institutions act to mobilise the private capital needed** in line with our net zero, environmental and climate adaptation commitments.
- The Strategy shows how the UK is building on the legacy of COP26 to enable **global growth of green financing, including in emerging markets and developing countries** by harnessing UK financial sector capabilities and our global partnerships.

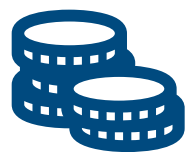
Chapters of the Strategy: Foundations, Align and Invest



Chapter 1: Foundations sets out **progress made** so far in the implementation of the 2019 Green Finance Strategy, the 2021 Greening Finance Roadmap, and the 2021 Net Zero Strategy (Green Investment chapter). **Green finance is a priority area** for this Government, and presents a significant growth opportunity. The UK is also well positioned to be a leader in **transition finance**, and we have announced a Transition Finance Market Review to enable that.



Chapter 2: Align sets out the framework and next steps for the UK to become the world's first **Net Zero-aligned Financial Centre**, including ambitious next steps in the delivery of the UK's **Sustainability Disclosure Requirements**. It includes updates and new policy on **transition plan disclosures**, the **UK Green Taxonomy**, **Scope 3 emissions reporting**, and **ESG ratings regulation**.



Chapter 3: Invest sets out how Government is using the full suite of **government and public finance institution levers**, from innovation grant funding through to co-investment for major infrastructure projects and regulation, supporting green and established sectors to **attract investment in line with our climate and environmental goals**.

Headline policy commitments (domestic)

Chapter 1: Foundations

- Launching a **Transition Finance Market Review**, which will deliver recommendations as to how the UK can become the best place in the world for raising transition capital.

Chapter 2: Align

- Detail on the UK's framework for becoming a **Net Zero-aligned Financial Centre**.
- A commitment to consult on the extension of **transition planning disclosure requirements** to the largest private companies, where they have one, to complement existing rules in place from the FCA.
- A commitment to deliver a **UK Green Taxonomy**, with a consultation due by Autumn 2023.
- Continued support for the work of the **International Sustainability Standards Board** with further detail on the planned framework to assess the suitability of final standards for adoption in the UK.
- A commitment to issue a Call for Evidence on **Scope 3** emissions reporting.
- Published alongside the Strategy, a consultation on the **regulation of ESG ratings providers**
- Commitment to explore how the final **Taskforce for Nature Related Financial Disclosures** (TNFD) framework (expected September 2023) should be incorporated into UK policy

Headline policy commitments (domestic)

Chapter 3: Invest

- Summary of **government and public finance institution levers** to mobilise private capital needed for net zero, environmental and climate adaptation, incl towards emerging markets and developing economies.
- New and updated **investment roadmaps for key net zero and nature sectors**, which for articulate investment needs and a summary of government policy and investment opportunities available.
- Improved tracking of net zero investment flows from public and private sources through the pilot **Landscape of Climate Finance** model - research commissioned and due to conclude in summer 2023.
- Commitment to consult on how to support growth of high integrity **voluntary nature and carbon markets**.
- Published new **Nature Markets Framework** - principles and priorities for development of high-integrity markets to enable farmers and land managers to attract investment in natural capital, and plans to develop nature investment standards.